CASE STUDY

Alger County

MERS®
Municipal Employees' Retirement System

Key Takeaways

- Proactively addressed retiree health care costs by adopting the MERS Retiree Health Funding Vehicle.
- Paired the MERS Health Care Exchange and Health Care Savings Program, providing employees with a stipend resulting in an immediate reduction of OPEB liabilities by nearly 50%.
- The reduction in OPEB liabilities has allowed consistent contributions above the minimum required for eight consecutive years

MERS IMPACT AWARD
Best-In-Class Retirement Benefits

Municipality Profile

Alger County is a rural county in the northern upper peninsula of Michigan with 50 full time and 48 part time employees. Geographically, it covers approximately 5,000 square miles and is located on Lake Superior and the Pictured Rocks National Lakeshore. The county includes eight local townships and the City of Munising, which serves as the seat of government. The County Courthouse houses multiple departments, mostly staffed by only one or two employees. The Sheriff's department oversees 911, a jail, EMS, rescue team, and marine, snowmobile, and Off-Road Vehicle patrol.

MERS Programs Used

- Retiree Health Funding Vehicle (RHFV)
- Health Care Savings Program (HCSP)
- Health Care Exchange

Situation

Alger County is undergoing a transition period with several employees expected to retire within the next two years. The county is moving away from offering traditional health care insurance while wanting to provide a post-employment health-related benefit to future retirees.

Process

In 2017, Alger County adopted the MERS RHFV to begin pre-funding retiree health care obligations. In 2018, the County became the first municipality to implement the MERS Health Care Exchange option, pairing it with the MERS HCSP, into which it provided employees with a stipend to enable retirees to enroll in coverage through the exchange. The switch from offering traditional post-employment health care insurance to this approach reduced OPEB liabilities by nearly 50%, to $1.89 million in 2024, from $3.96 million in 2016. Alger County used the extra funds to increase contributions to the RHFV and set the stage for long-term financial planning.

Strategy

- Phasing out retiree health insurance, while adopting RHFV to pre-fund existing retiree healthcare costs. Continued contributions above the minimum requirement to accelerate funding progress.

- Pairing the MERS Health Care Exchange option with the MERS HCSP into which the County provides employees with a stipend ($270 for those with 100% insurance coverage and $135 for those with 50% coverage), allowed the County to reduce liabilities and realize significant cost savings while providing equal or better coverage.
- Engaging in long-term financial planning to ensure sustainability for both current and future employees

MERS® Municipal Employees' Retirement System

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Results

- County's OPEB liability is approximately 75% funded.
- OPEB liabilities were reduced by nearly 50%.
- Eight years of contributions above the minimum requirement.
- Demonstrated commitment to employees and long-term financial responsibility.

Insight to Action:

Alger County's proactive strategy demonstrates how municipalities can reduce long-term liabilities while supporting employee well-being. **Consider exploring innovative funding solutions like the MERS RHFV, HCSP, and Health Care Exchange and engaging in long-term financial planning that balances cost savings with employee support.** Begin by assessing your retiree health care obligations and exploring flexible, sustainable benefit options that meet the needs of both your workforce and your budget.

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